



STATE OF CALIFORNIA
FRANCHISE TAX BOARD - Legal Branch
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KATHLEEN CONNELL
Chair

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Member

February 11, 2000

FTB NOTICE 2000-1

SUBJECT: Public Hearing Regarding Adjustment to the Limited Liability Company Fee for 2000

Section 17941 of the Revenue and Taxation Code requires every limited liability company (LLC) that is not classified as a corporation for California franchise or income tax purposes, and that is organized, registered, or doing business in this state, to pay an annual tax of \$800 for the privilege of doing business in California. Section 17942 requires every LLC subject to tax under Section 17941 to additionally pay an annual fee based on total income from all sources reportable to this state for the taxable year.

Section 17943 requires the Franchise Tax Board (FTB), on or before January 1, 1999, and annually thereafter, to conduct a study to determine whether Chapter 1200, Statutes of 1994 (the act authorizing the creation and recognition of LLCs) results in a net gain or reduction in state income and franchise tax revenues. If there is a net gain or reduction in such revenues, the FTB, after a public hearing, is required to increase or decrease the fees imposed under Section 17942 to offset the computed revenue gain or loss.

The FTB has conducted the study required by Section 17943 for 2000 (copy attached). It indicates that the LLC annual fee for taxable years beginning on or after January 1, 2000, should be increased as follows:

<u>Initial Fee</u>	<u>1999 Fee</u>	<u>2000 Fee</u>	<u>Total income</u>
\$ 500	\$ 865	\$1,042	\$250,000 or more, but less than \$500,000
\$1,500	\$2,595	\$3,126	\$500,000 or more, but less than \$1,000,000
\$3,000	\$5,190	\$6,251	\$1,000,000 or more, but less than \$5,000,000
\$4,500	\$7,785	\$9,377	\$5,000,000 or more.

The public hearing required by Section 17942 will be held at 10:00 A.M. on Monday, March 13, 2000, at the Franchise Tax Board, 9645 Butterfield Way, Room 1040, Sacramento, CA 95827. Persons wishing to make a presentation at the hearing are requested to submit a written statement prior to the hearing. Persons are also invited to submit written comments.

For further information regarding this notice, contact Colleen Berwick at (916) 845-3306. Submit written statements to the attention of Ms. Berwick at the Franchise Tax Board, Legal Branch, P. O. Box 1720, Rancho Cordova, CA 95741-1720 or by fax at (916) 845-3648.